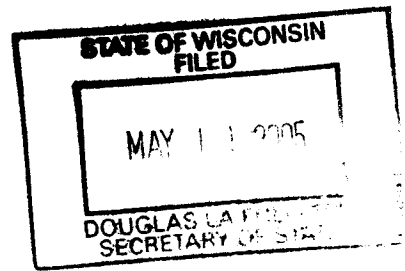


Rules Certificate



STATE OF WISCONSIN

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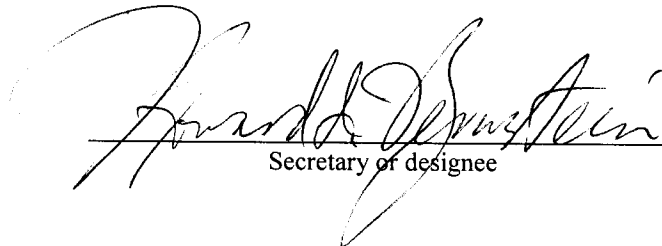
DEPARTMENT OF WORKFORCE DEVELOPMENT

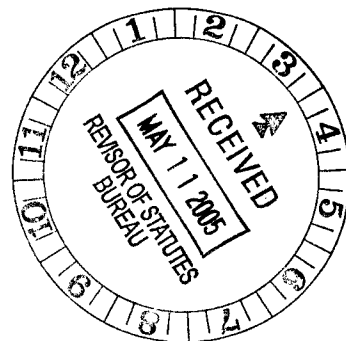
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I, Roberta Gassman, Secretary of the Department of Workforce Development, and custodian of the official records, certify that the annexed rules relating increasing Wisconsin's minimum wages were duly approved and adopted by this department on May 11, 2005.

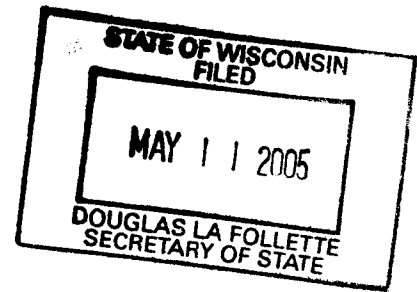
I further certify that this copy has been compared by me with the original on file in this department and that it is a true copy of the original and of the whole of the original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the of the Department of Workforce Development at 201 E. Washington Avenue in the city of Madison, this 11th day of May 2005.


Secretary of designee



Order Adopting Rules

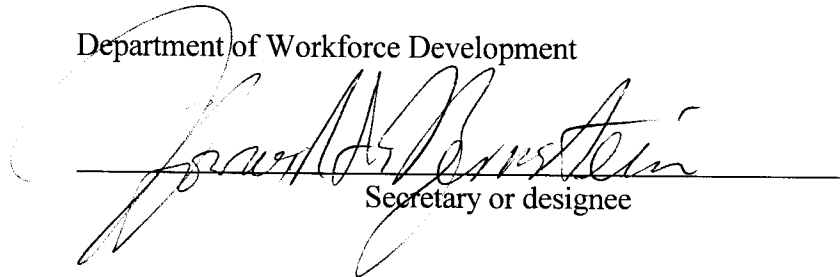


Pursuant to authority vested in the Department of Workforce Development by Sections 104.04 and 227.11, Stats., the Department of Workforce Development repeals, amends, repeals and recreates, and creates rules of Wisconsin Administrative Code Chapter DWD 272, relating to increasing Wisconsin's minimum wages.

The attached rules shall take effect on June 1, 2005, pursuant to s. 227.24(1)(c), Stats.

Adopted at Madison, Wisconsin this 11th day of May 2005.

Department of Workforce Development



Secretary or designee

**State of Wisconsin
Department of Workforce Development
Equal Rights Division**

Chapter DWD 272

Increasing Wisconsin's Minimum Wages

The Wisconsin Department of Workforce Development orders the repeal of s. DWD 272.03 (1m) and (3m); the amendment of s. DWD 272.03 (1) and (3), s. DWD 272.05 (1)(a), (1)(b), (2)(a), and (2)(b), s. DWD 272.07 (3), and s. DWD 272.08; the repeal and recreation of s. DWD 272.12(2)(g)6.; and the creation of s. 272.01 (9m), relating to increasing Wisconsin's minimum wages.

Finding of Emergency

The Department of Workforce Development finds that an emergency exists and that the attached rule is necessary for the immediate preservation of the public peace, health, safety, or welfare. A statement of facts constituting the emergency is:

The federal minimum wage has fallen to its lowest inflation-adjusted value of all time. When wages are so low that workers and their families can't afford their most basic needs, society, particularly taxpayers, bears tremendous costs due to poverty-related educational failure, workforce failure, and citizenship failure. An adequate minimum wage supports workers, helps strengthen families and communities, and promotes the state's overall economic and fiscal health.

Analysis Prepared by the Department of Workforce Development

Statutory authority: Sections 104.04 and 227.11, Stats.

Statutes interpreted: Chapter 104, Stats.

Wisconsin needs a minimum wage increase

Creating good paying jobs and a "high end" economy is a top priority for Governor Jim Doyle's administration. A key focus of the Governor's *Grow Wisconsin* economic development plan is investing in people and helping families climb the economic ladder. One of the most important initiatives in the Governor's plan is raising the state minimum wage. Such an increase ensures that Wisconsin's lowest wage workers will share in the benefits of economic growth as Wisconsin's economy moves forward.

This is a critical time for Wisconsin to support low-wage workers by increasing the minimum wage. In 2005, the federal minimum wage will fall to its lowest inflation-adjusted value of all time. The buying power of the minimum wage in 1970 equaled about \$8.00 in 2004 dollars. Given the declining value of the minimum wage and the lack

of federal action to increase it, 15 other states have already established minimum wages above the federal level.

When wages are so low that workers and their families can't afford their most basic needs, the costs that society, particularly taxpayers, must bear related to poverty are so insidious that anything that helps divert those expenses back to the consumers of the services provided by those low-wage workers is worthwhile. Educational failure, workforce failure, citizenship failure can very often be traced back to families forced to live in poverty. An adequate minimum wage supports workers, helps strengthen families and communities, and promotes the state's overall economic and fiscal health. Family-supporting wages reduce dependence on the state and increase tax revenue from these families, decreasing the burden on Wisconsin's taxpayers.

It is estimated that 100,000 to 125,000 workers will be affected by this minimum wage increase. Many of these workers are adults and a larger than proportionate share are minorities. Putting more money in the hand of these low-wage workers will result in \$175 million in consumer expenditures in Wisconsin's economy. Low-wage workers spend nearly their entire income in the local economy on basics. This spending stimulates the local economy and benefits local businesses because spending is concentrated locally on food, clothing, shelter, and transportation. Most studies considering a potential negative effect on employment opportunities available to low-wage workers as a result of a minimum wage increase show little to no effect, although both advocates and opponents are able to produce studies supporting their side of the issue.

Minimum wage increases

Chapter 104, Stats., and Chapter DWD 272 provide that Wisconsin's minimum wage should be sufficient to enable the employee receiving it to maintain himself or herself under conditions consistent with his or her reasonable comfort, physical well-being, decency, and moral well-being. Section 104.04, Stats., directs the Department of Workforce Development to determine the state's minimum wage taking into consideration the effect of the wage on the economy of the state, including employment opportunities for low-wage workers and regional economic conditions within the state.

Governor Doyle and the Department of Workforce Development convened a Minimum Wage Advisory Council to assist with determining whether there should be an increase in Wisconsin's minimum wage. The Council included leaders from the business community, labor organizations, and both houses of the legislature. The Department's Office of Economic Advisors provided the Advisory Council with data from the U.S. Census; Current Population Survey; and the U.S. Department of Labor, Bureau of Labor Statistics, Occupational Employment Statistics. The Council issued its recommendations in March 2004.

Taking into consideration the Council's recommendations, the Department orders the following increases effective June 1, 2005:

- **General minimum wage rate** increases to \$5.70/hour (currently \$5.15/hour)
- **Minor minimum wage rate** increases to \$5.30/hour (currently same as adult rate \$5.15/hour)
- **Opportunity minimum wage rate** increases to \$5.30/hour (currently \$4.25/hour)
- **Agriculture minimum wage rate for workers age 18 and over** increases to \$5.15/hour (currently \$4.05/hour)
- **Agricultural minimum wage rate for workers age 17 and under** increases to \$4.25/hour (currently \$3.70/hour)
- **Camp counselor minimum wage rate for workers age 18 and over**
 - Increases to \$215/week if no room or board provided (currently \$140/week)
 - Increases to \$164/week if board provided (currently \$110/week)
 - Increases to \$129/week if room and board provided (currently \$91/week)
- **Camp counselor minimum wage rate for workers age 17 and under**
 - Increases to \$175/week if no room or board provided (currently \$123/week)
 - Increases to \$133/week if board provided (currently \$92/week)
 - Increases to \$105/week if room and board provided (currently \$74/week)
- **Golf caddy minimum wage rate** increases to \$10.50 for 18 holes, and \$5.90 for 9 holes (currently \$5.95 for 18 holes and \$3.35 for 9 holes)

Effect of minimum wage increases on Wisconsin's economy

The Department of Workforce Development estimates that 100,000 to 125,000 workers will be affected by the increase in the minimum wage from \$5.15 to \$5.70 per hour. It is estimated that nearly 80% of these low-wage workers are over 18 years of age, 65% are female, and over one-third are heads of their household. These workers are African-American, Hispanic, and Asian in numbers larger than their proportion in the population. Over two-thirds of these low-wage workers work more than half-time:

- 30% work 1-19 hours per week
- 35% work 20-34 hours per week
- 35% work 35+ hours per week

They work as food service workers, retail clerks, cleaning and housekeeping laborers, personal care attendants, child care workers, telemarketers, laundry and dry cleaning workers, veterinary assistants, home health care aides, office workers, gaming change and booth cashiers, building and grounds maintenance laborers, and many other occupations in virtually all industries in the state.

The industry with the largest number of workers affected by a minimum wage increase is the leisure and hospitality industry—75% of affected employees work in this

industry. Leisure and hospitality includes accommodations and foods as well as arts, entertainment, and recreation. Pay is low in the leisure and hospitality industry overall but particularly low in the accommodations and foods sector. In hotels and motels, 40% of workers earn less than \$6.50, and in restaurants 20% of workers earn less than \$6.50. The pay of Wisconsin workers in the accommodations and foods industry is almost the lowest in the country ranking 49th nationally.

Anticipated cost incurred by private sector. The effect of the wage increase on business will be \$175 million in increased payroll costs. Low-wage workers will circulate this money back into the economy immediately, representing a 0.1 percent increase in the gross state product. The increased spending by affected workers may be a revenue growth for some businesses. The effects may be slightly greater in northern, rural regions of the state where minimum wage jobs make up a greater percentage of the workforce. Higher wages also have a positive impact on both workers and their employers by reducing turnover, increasing work experience, and saving on training and recruitment costs for both workers and employers. Any increase in the cost of doing business will likely be passed on to consumers as part of the price of the product or service being purchased.

Fiscal effect on state and local government

It is estimated that 35% of the additional \$175 million in consumer expenditures will be on items subject to the sales tax. This translates to increased revenue of approximately \$3 million for the state and some increased revenue for counties with a local sales tax.

There may be increased state revenue from the income tax on higher incomes for workers. The Department of Revenue estimates that the additional individual income tax revenue on the additional wages paid due to the minimum wage increase will be \$4.725 million. This amount will be offset by the decline of business tax revenue estimated at \$5.495 million. The net effect on income tax revenue is estimated to be a decline of \$770,000.

It is estimated that 100-200 local governmental employees across the state who work as seasonal summer helpers may be affected by the increase. The increased cost is estimated at approximately \$20,000 across all local governments in the state. The minimum wage increase is not expected to affect state employees.

Federal law and adjacent states

Section 227.14 (2)3. and 4., Stats., requires the Department to compare the proposed rule to any existing or proposed federal regulation and rules in adjacent states.

General rate:

Federal	\$5.15
Iowa	\$5.15
Michigan	\$5.15

Minnesota	\$5.15 for employers covered by Federal Labor Standards Act \$4.90 for employers not covered by Federal Labor Standards Act
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Illinois	\$6.50
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Minor rate:

Federal	None
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Iowa	None
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Michigan	None
----------	------

Minnesota	None
-----------	------

Illinois	\$6.00
----------	--------

Opportunity rate:

Federal	\$4.25 for employees under 20 years old for first 90 days of employment
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Iowa	\$4.25 for all employees for first 90 days of employment
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Michigan	\$4.25 for 16- to 19-year-olds for first 90 days of employment
----------	--

Minnesota	\$4.25 for employees under 20 years old for first 90 days of employment
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Illinois	No opportunity wage of general application. Employers may apply for license from Illinois Department of Labor to pay adult learners 70% of minimum wage rate for initial six months of employment.
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Agricultural rate:

Federal	None
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Iowa	None
------	------

Michigan	None
----------	------

Minnesota	None
-----------	------

Illinois	None
----------	------

Camp counselor rate:

Federal	None
---------	------

Iowa	None
------	------

Michigan	None
----------	------

Minnesota	None
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Illinois	\$260 per week
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Golf caddy rate:

Federal: None

Iowa: None

Michigan: None

Minnesota None

Illinois: Exempt from minimum wage

Technical correction

The proposed rule also repeals and recreates the policy that travel time for the benefit of the employer is work time. It is rewritten for clarity and with no change in substance.

SECTION 1. DWD 272.01 (9m) is created to read:

DWD 272.01 (9m) “Minor employee” means a minor who is paid at the applicable minor minimum wage rate.

SECTION 2. DWD 272.03 (1) is amended to read:

DWD 272.03 (1) MINIMUM RATES. ~~This subsection is in effect from October 1, 1996 to August 31, 1997.~~ Except as provided in ss. DWD 272.05 to 272.09, no employer shall employ any employee in any occupation, trade, or industry at a lesser hourly rate than is indicated below:

- (a) All employees except opportunity and minor employees ~~\$4.75~~ \$5.70 per ~~hr~~ hour.
- (b) Opportunity and minor employees ~~\$4.25~~ \$5.30 per hour.

SECTION 3. DWD 272.03 (1m) is repealed.

SECTION 4. DWD 272.03 (3) is amended to read:

DWD 272.03 (3) ALLOWANCE FOR BOARD AND LODGING. ~~This subsection is in effect from October 1, 1996, to August 31, 1997.~~ Where board or lodging or both are furnished by the employer in accordance with s. DWD 272.04, and accepted and received by a particular employee, an allowance may be made not to exceed the following amounts:

- (a) *Lodging.* 1. All employees except opportunity and minor employees ~~\$38.00~~ \$45.60 per week or ~~\$5.45~~ \$6.50 per day.
- 2. Opportunity and minor employees ~~\$34.00~~ \$42.40 per week or ~~\$4.85~~ \$6.05 per day.
- (b) *Meals.* 1. All employees except opportunity and minor employees ~~\$57.00~~ \$68.40 per week or ~~\$2.70~~ \$3.25 per meal.
- 2. Opportunity and minor employees ~~\$51.00~~ \$63.60 per week or ~~\$2.45~~ \$3.00 per meal.

SECTION 5. DWD 272.03 (3m) is repealed.

SECTION 6. DWD 272.05 (1)(a), (1)(b), (2)(a), and (2)(b) are amended to read:

DWD 272.05 (1) (a) ~~Adult employees~~ Employees 18 years of age and over: ~~\$4.05~~ \$5.15 per ~~hr~~ hour.

(b) ~~Minors~~ Employees 17 years of age and under: ~~\$3.70~~ \$4.25 per ~~hr~~ hour.

(2) (a) Lodging— Adults <u>Employees</u> 18 years of age and over:	\$32.40 <u>\$41.20</u> per week or \$4.65 <u>\$5.90</u> per day.
Minors <u>Employees</u> 17 years of age and under:	\$29.60 <u>\$34.00</u> per week or \$4.25 <u>\$4.85</u> per day
(b) Meals— Adults <u>Employees</u> 18 years of age and over:	\$48.60 <u>\$61.80</u> per week or \$2.30 <u>\$2.95</u> per meal
Minors <u>Employees</u> 17 years of age and under:	\$44.40 <u>\$51.00</u> per week or \$2.10 <u>\$2.40</u> per meal

SECTION 7. DWD 272.07 (3) is amended to read:

DWD 272.07 (3) COUNSELORS. The minimum wage of counselors employed in seasonal recreational or educational camps and day camps may be computed on a weekly basis as follows:

(a) Adult counselors 18 years of age and over:	PER WEEK
1. If board and lodging are not furnished	\$140.00 <u>\$215</u>
2. If board only is furnished	\$110.00 <u>\$164</u>
3. If board and lodging are furnished	\$91.00 <u>\$129</u>
(b) Counselors 17 years of age and under:	PER WEEK
1. If board and lodging are not furnished	\$123.00 <u>\$175</u>
2. If board only is furnished	\$92.00 <u>\$133</u>
3. If board and lodging are furnished	\$74.00 <u>\$105</u>

SECTION 8. DWD 272.08 is amended to read:

DWD 272.08 Caddies. The minimum wage of employees employed as caddies shall be:

~~\$3.35~~ \$5.90 9 holes
~~\$5.95~~ \$10.50 18 holes

SECTION 9. DWD 272.12(2)(g)6. is repealed and recreated to read:

DWD 272.12(2)(g)6. Travel away from home community. Travel time away from the home community for business purposes that occurs for the benefit of the employer is considered hours worked.

SECTION 10. EFFECTIVE DATE. This rule shall take effect on June 1, 2005, as provided in s. 227.27(1)(d), Stats.

☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTAL

FISCAL ESTIMATE

DOA-2048 N(R03/97)

Subject

Increasing Wisconsin's Minimum Wages

Fiscal Effect

State: ☐ No State Fiscal EffectCheck columns below only if bill makes a direct appropriation
or affects a sum sufficient appropriation.
☐ Increase Costs - May be possible to Absorb
Within Agency's Budget ☐ Yes ☐ No

☐ Increase Existing Appropriation ☒ Increase Existing Revenues
☐ Decrease Existing Appropriation ☐ Decrease Existing Revenues
☐ Create New Appropriation

☐ Decrease CostsLocal: ☐ No local government costs

1. ☒ Increase Costs
☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
☐ Permissive ☐ Mandatory

3. ☒ Increase Revenues
☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenues
☐ Permissive ☐ Mandatory

5. Types of Local Governmental Units Affected:
☒ Towns ☒ Villages ☒ Cities
☒ Counties ☐ Others _____
☐ School Districts ☐ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEG-S

Affected Ch. 20 Appropriations

Assumptions Used in Arriving at Fiscal Estimate

DWD economists estimate that 35% of the additional \$175 million in consumer expenditures will be on items subject to the sales tax. This translates to increased revenue of approximately \$3 million for the state and some increased revenue for counties with a local sales tax.

It is estimated that 100-200 local governmental employees across the state who work as seasonal summer helpers may be affected by the increase. The increased cost is estimated at approximately \$20,000 across all local governments in the state. The minimum wage increase is not expected to affect state employees.

The Department of Revenue estimates that the additional individual income tax revenue on the additional wages paid due to the minimum wage increase will be \$4.725 million. This amount will be offset by the decline of business tax revenue estimated at \$5.495 million. The net effect on income tax revenue is estimated to be a decline of \$770,000. The Department of Revenue assumptions are contained in the attached letter.

The net effect on state revenue based on a \$3 million sales tax increase, \$4.725 million revenue increase from income tax on worker's increased income, and a \$5.495 million decline in business tax revenue equals an increase in state revenue of \$2.23 million.

Long-Range Fiscal Implications

none

Agency/Prepared by: (Name & Phone No.)
DWD/Terry Ludeman 267-3262

Authorized Signature/Telephone No.

[Signature] 266-9427

Date

5/11/05

FISCAL ESTIMATE WORKSHEET**2005 Session**Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R10/94)☒ ORIGINAL ☐ UPDATED
☐ CORRECTED ☐ SUPPLEMENTALLRB or Bill No./Adm. Rule No.
DWD 272

Amendment No.

Subject
Increasing Wisconsin's Minimum Wages**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

0

II. Annualized Costs:

Annualized Fiscal impact on State funds from:

A. State Costs by Category	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes	\$0	\$0 -
(FTE Position Changes)	0 (FTE)	0
State Operations - Other Costs	0	0
Local Assistance	0	0
Aids to Individuals or Organizations	0	0
TOTAL State Costs by Category	\$0	\$0
B. State Costs by Source of Funds	Annualized Fiscal impact on State funds from:	
	Increased Costs	Decreased Costs
GPR	\$0	\$0-
FED	0	0
PRO/PRS	0	0
SEG/SEG-S	0	0
III. State Revenues -	Annualized Fiscal impact on State funds from:	
	Increased Rev.	Decreased Rev.
Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		
GPR Taxes	\$7,725,000	\$5,495,000
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
TOTAL State Revenues	\$7,725,000	\$5,495,000

NET ANNUALIZED FISCAL IMPACTSTATELOCAL

NET CHANGE IN COSTS

0

\$20,000

NET CHANGE IN REVENUES

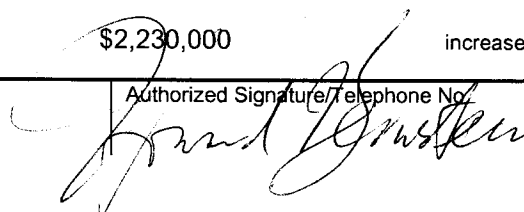
\$2,230,000

increase for counties with local sales tax

Agency/Prepared by: (Name & Phone No.)
DWD/ Terry Ludeman 267-3262

Authorized Signature/ Telephone No.

Date

 266-9427 5/11/05



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718 • <http://www.dor.state.wi.us>

Jim Doyle
Governor

Michael L. Morgan
Secretary of Revenue

June 11, 2004

RECEIVED

JUN 15 2004

SECRETARY'S OFFICE

Secretary Roberta Gassman
Wisconsin Department of Workforce Development
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946

Dear Secretary Gassman:

Thank you for your letter requesting that the Department of Revenue estimate the impact on individual income and corporate income and franchise tax revenues of the increase in the minimum wage proposed by your Department. Our estimates utilize your Department's estimate that wages would increase by \$175 million.

Since most persons benefiting from the minimum wage increase are likely to be low-income tax filers, we assume that the additional wages they received would be subject to the average effective marginal tax rate for filers with positive Wisconsin adjusted gross income not exceeding \$25,000. Using the 2001 Wisconsin individual income tax sample, adjusted to reflect 2003 tax law, we estimated this effective marginal rate to be 2.7%. (The effective marginal tax rate is lower than the lowest statutory marginal tax rate of 4.6% because many lower-income workers pay no tax, due to the standard deduction, personal exemptions and tax credits.) Thus, additional individual income tax revenues on the additional wages paid due to the minimum wage increase are estimated to be \$4.725 million (\$175 million X 2.7%).

The increase in wages will increase deductions claimed by businesses that employ persons receiving the minimum wage increase, and these higher deductions will reduce individual income and corporate income and franchise tax revenues. It is much more difficult to estimate marginal tax rates paid by businesses given a lack of data. Using data from corporate tax returns for the leisure and hospitality industry, where your Department expects much of the impact to occur, we estimate an average marginal tax rate of 2.65% for corporate employers of persons benefiting from the minimum wage increase. (This effective marginal rate is substantially lower than the statutory corporate tax rate of 7.9% because many corporations in the leisure and hospitality industry do not have positive income for tax purposes and thus pay no tax.) We further assume that noncorporate businesses have an average marginal tax rate that is generally the same for individual taxpayers, or 5.1%. Finally, based on data from the 1997 economic census conducted by the U.S. Bureau of the Census, we assume that corporations pay 80% and noncorporate businesses pay 20% of the minimum wage increase.

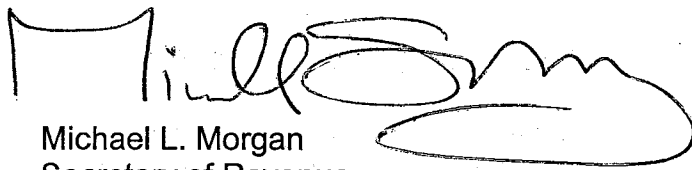
Secretary Roberta Gassman
June 11, 2004
Page Two

Based on these assumptions, we estimate that corporate income and franchise and individual income tax revenues would decline by \$5.495 million ($\$175 \text{ million} \times 80\% \times 2.65\% + \$175 \text{ million} \times 20\% \times 5.1\%$).

Your staff estimated additional sales tax collections from spending resulting from the minimum wage increase. Any such gain may be offset, at least in part, by reduced spending on taxable goods and services by businesses due to higher wage costs and reduced spending by owners of businesses whose profits may be reduced due to higher wage costs. However, data limitations prevent a reasonable estimate of this offsetting effect.

I hope you find this information helpful. Please contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Morgan". The signature is stylized with a large, looped "M" and a long, sweeping underline.

Michael L. Morgan
Secretary of Revenue

MLM:DC:skr